



## *Memorandum*

**DATE:** April 2, 2015

**TO:** Michelle Boehm, Contract Manager

**FROM:** Paula Rivera, Audit Division

**CC:** Finance and Audit Subcommittee of the Board  
Jeff Morales, CEO  
Jonathan Fong, Contract Analyst

**SUBJECT:** Preaward Review HSR14-42

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The Authority Audit Division has completed its review of the draft agreement and the cost proposal for HSR14-42 between the California High-Speed Rail Authority (Authority) and Sener Engineering & Systems, Inc. (Contractor) for the Palmdale to Burbank Corridor Environmental/Engineering Services.

The scope was limited to reviewing the draft agreement and the cost proposals dated February 20, 2015. The objectives of the review were to determine if the necessary fiscal provisions were incorporated in the draft agreement and whether the proposed costs are reasonable and in compliance with the Code of Federal Regulations Title 48, Chapter 1, Part 31 for the purpose of accepting contract progress billings.

Except as noted in the following paragraph, our review was conducted in accordance with Government Auditing Standards for attestation engagement as issued by the Comptroller General of the United States. A review is substantially less in scope than an examination, the objectives of which is the expression of an opinion on the proposed costs contained in the cost proposal submitted by the Contractor, and accordingly, this review report expresses no such opinion.

The Authority Audit Division has not undergone a peer review as required by the Government Auditing Standards due to the recent formation of the Audit Division and the lack of a body of work to be reviewed. The Authority Audit Division is not yet eligible for a peer review for the reasons stated.

Based on the review of the cost proposal and the draft agreement, except as discussed in the issues and recommendations section below, no material deficiencies were noted.

This report is intended for the information and use of the management of the Authority. However, this report is a public document and its distribution is not limited.

## ISSUES AND RECOMMENDATIONS

### Issue 1

The proposed hourly rates were overstated for the following employees:

<b>Name</b>	<b>Classification</b>	<b>Proposed Rate</b>	<b>Supported Rate</b>	<b>Firm</b>
Jorge Salmeron	Utilities Lead	\$76.20	76.96	BA Inc.
Michael Walker	Engineer 1	29.00	31.25	BA Inc.
Sharon Green	Principal Financial Programming Analyst	135.19	136.85	HDR
Tim Gnibus	Sr. Environmental Planner	94.70	97.54	HDR
Patrick O'Neill	Sr. Environmental Planner	94.70	91.67	HDR
Rick Degman	Sr. Rail Modeler	69.15	67.48	HDR
Peter Maruzzi	Senior Consultant II	50.00	46.59	ICF International
Joseph Dieguez	Vice President	64.64	53.08	Kosmont & Assoc.
Mary McCormick	Principal in Charge	46.50	45.01	MBI Media
Joseph Raum	Claims Avoidance and Dispute	24.00	22.00	Paleo Solutions
Peter Carlson	Vice President	84.05	79.33	VCS Environmental
Byron Davis	Project Manager	75.10	52.88	VACC, Inc.

**Recommendation:** The Contract Manager should have the cost proposal revised to reflect the supported rates.

### Issue 2

The hourly ranges/rates were misstated for the following proposed classifications:

<b>Classification</b>	<b>Proposed Rate/Range</b>	<b>Supported Range/Rate</b>	<b>Firm</b>
Junior Engineer	\$46.01	\$33.31 – 50.51	Amberg Engineering
Administrative Assistant	20.00 – 25.00	20.00 – 40.90	Amberg Engineering
Senior Associate	23.00 – 42.00	23.00 – 37.26	Circlepoint
Associate	23.00 – 34.00	23.00 – 29.08	Circlepoint
Assistant Coordinator	20.00 – 29.00	20.00 – 24.88	Circlepoint

<b>Classification</b>	<b>Proposed Rate/Range</b>	<b>Supported Range/Rate</b>	<b>Firm</b>
Graphic Web Designer	18.00 – 35.00	18.00 – 28.36	Circlepoint
Senior Web Designer	33.00 – 45.00	34.90	Circlepoint
Intern	10.00 – 20.00	13.50	Circlepoint
Admin	20.00 – 30.00	20.00 – 24.88	Circlepoint
Civil Engineer	55.00 – 90.00	55.00 – 87.00	HDR
Right of Way Specialist	50.00 – 65.00	50.00 – 58.94	HDR
Engineer	34.00 – 54.00	34.00 – 51.06	HDR
Planner	40.00 – 60.00	40.00 – 58.76	HDR
Sr. Designer	30.00 – 48.00	30.00 – 41.56	HDR
Designer	24.00 – 40.00	24.00 – 38.25	
CADD	24.00 – 40.00	24.00 – 37.63	HDR
Technical Editor	30.00 – 40.00	30.00 – 34.44	HDR
Intern	17.00 – 22.00	17.00 – 19.38	HDR
Senior Project Director	79.56 – 89.96	79.56 – 88.96	ICF International
Senior Technical Analyst	25.00 – 40.70	25.00 – 61.89	ICF International
Associate Consultant I	21.66 – 30.00	21.66 – 39.02	ICF International
Graphic Designer	27.00	20.00	MBI Media
Web Designer	27.00	20.00	MBI Media
Principal	180.00 – 250.00	60.00 123.08	Placeworks
Sr. Associate/Sr. Scientist	160.00 – 190.00	40.87 – 54.33	Placeworks
Associate/Scientist	130.00 – 170.00	31.25 – 40.87	Placeworks
Project Planner/Project Scientist	100.00 – 140.00	24.04 – 27.88	Placeworks
Planner/Assistant Scientist	80.00 – 110.00	20.68 – 22.12	Placeworks
Graphic Specialist	70.00 – 90.00	22.00	Placeworks
Clerical	65.00 – 90.00	23.00 – 40.00	Placeworks
Category 1-Principal	75.21	96.38 – 157.01	Sener Ingeniería Y Sistemas
Category 2-Senior Engineer	44.49	42.71 – 49.88	Sener Ingeniería Y Sistemas
Category 3-Engineer	30.14	21.23 – 36.70	Sener Ingeniería Y Sistemas
Category 4-Engineer	26.55	24.07 – 27.83	Sener Ingeniería Y Sistemas
Category 5-Draftsman/ Technician	19.98	16.95 – 23.03	Sener Ingeniería Y Sistemas
Category 6-Administrative/Secretary	13.37	11.38 – 14.37	Sener Ingeniería Y Sistemas

**Recommendation:** The Contract Manager should have the cost proposal revised to reflect the supported high and low ranges for the proposed classifications.

### Issue 3

The following proposed classifications could not be supported:

<b>Classification</b>	<b>Proposed Rate/Range</b>	<b>Firm</b>
Structural Engineer	\$105.03	Sener Engineering
Engineer	34.00 – 54.00	Sener Engineering
Design Engineer	90.00 – 130.00	Sener Engineering
Rail Engineer	90.00 – 125.00	Sener Engineering
Architect	95.00 – 140.00	Sener Engineering
Planner	40.00 – 60.00	Sener Engineering
Sr. Designer	30.00 – 48.00	Sener Engineering
Designer	24.00 – 40.00	Sener Engineering
Sr. CADD	37.00 – 50.00	Sener Engineering
CADD	24.00 – 40.00	Sener Engineering
Technical Editor	30.00 – 40.00	Sener Engineering
Senior Coordinator	32.00 – 42.00	Sener Engineering
Coordinator	22.00 – 32.00	Sener Engineering
Intern	17.00 – 22.00	Sener Engineering
Licensed Prof Engineer	57.00	The Alliance Group
Sr. Designer/Designer	45.00	The Alliance Group
CADD Tech	40.00	The Alliance Group
Accounting Support	25.00	The Alliance Group
Administration Support	20.00	The Alliance Group
Environmental Specialist	70.00	Cross-Spectrum Acoustics
Project Manager	70.00	CGM Consulting
Associate Engineer	52.00	CGM Consulting
Project Controls	40.00	CGM Consulting
Project Administrator	30.00	CGM Consulting
Data Analyst	65.00	JNTC
Planning Analyst	55.00	JNTC
Senior Vice President	96.09	Kosmont & Assoc.
Vice President	64.64	Kosmont & Assoc.
Project Analyst	52.41	Kosmont & Assoc.
Video Editor/Camera Operator	35.00	MBI Media
Administration	14.00 – 16.00	Paul Murdoch Architect
Intern	50.00 – 70.00	Placeworks

**Recommendation:** The Contract Manager should have the classifications removed from the cost proposal.

#### Issue 4

The proposed hourly rates were unsupported for the following employees:

Name	Classification	Proposed Rate	Firm
Guillermo Dierssen	Tunnel Engineer	115.31	Sener Engineering
Pelayo Suarez	Sr. Station Engineer	106.34	Sener Engineering
Mike Phillips	Quality Assurance Mgr.	85.00	CGM Consulting
Sherif Morcos	Senior PM	85.00	The Morcos Group
Beata Draga Morcos	Government Affairs	64.50	The Morcos Group
Paul Murdoch	Principal Architect	104.52	Paul Murdoch Architect

**Recommendation:** The Contract Manager should verify the proposed rates before starting the project or revise and remove the employees that cannot be supported from the cost proposal.

#### Issue 5

Specific employees have not been identified to fill proposed classifications. The Contractor has the flexibility to utilize staff from a pool of employees within the classifications; however, actual labor rates have not been verified.

**Recommendation:** The Contract Manager should approve employees identified to fill the proposed classifications and verify whether their actual pay rate is within the proposed range for their classifications.

#### Issue 6

The following employees could not support the actual hourly rate, overhead and fee, but could support billing rates:

Name	Classification	Billing Rate	Firm
Mit Jha	Transportation Modeling	\$250.00	AID Group, LLC
Lance Meister	Senior Environmental Planner	135.00	Cross-Spectrum Acoustics
Megan Gosch	Owner	100.00	Geographica
Judith Normal	Planning Support	185.00	JNTC
Virgal Woolfolk	Principal	160.00	Virtek Company

**Recommendation:** The Contract Manager should have the cost proposal revised to reflect the proposed billing rate in the loaded billing rate column and remove the actual hourly rate, overhead rate and the fixed fee.

## Issue 7

Virtek Company proposed Surveyor 1, Surveyor 2, Surveyor 3, and Surveyor 4 classifications, which:

- Do not agree to General Prevailing Wage Determination classifications set by the Department of Industrial Relations
- Do not agree to the basic and total hourly rates required by the General Prevailing Wage Determinations
- Do not identify that these classifications are exempt.
- Do not identify on the cost proposal that these classifications are subject to prevailing wage requirements.

**Recommendation:** The Contract Manager should have the cost proposal revised to:

- Replace the Surveyor classifications with the applicable classifications, likely Party Chief and Chainman.
- Replace the proposed actual and loaded rates with the basic and total hourly rates the applicable classifications.
- Identify that the classifications are non-exempt.
- Identify classifications subject to prevailing wage requirements with an asterisk.

## Issue 8

The combined overhead rate proposed by Virtek Company could not be supported.

**Recommendation:** The cost proposal should be revised to remove the combined overhead for Virtek Company. The Audit Division can evaluate the 2015 indirect rate at the end of the calendar year, and if found to be reasonable, can be retroactively applied to invoices in 2015. This evaluation is for the 2015 calendar year only.

## Issue 9

The following proposed overhead cost rates were unsupported:

Firm	Proposed	Supported
The Alliance Group	140.50%	133.00%
Amberg Engineering	163.00	161.86
BA Inc.	173.35	170.20
Circlepoint	189.00	187.00
Placeworks	212.00	202.00
VACC, Inc.	215.83	202.00

**Recommendation:** The Contract Manager should have the cost proposal revised to reflect the supported overhead rates.

**Issue 10**

The following contracted workers were proposed as employees:

Classification	Name	Firm
CADD Tech	John Massud	The Morcos Group
Support Admin Asst.	Allison Arnold	The Morcos Group
Senior Professional	Richard Stranger	RL Banks
	David Fugate	VACC, Inc.

**Recommendation:** The Contract Manager should have the cost proposal revised to remove the proposed contracted workers. If the contracted workers perform work on this project, overhead and the fixed fee should not be applied to their rates.

**Issue 11**

The proposed overtime rates were unsubstantiated for classifications of Account Coordinator, Graphic Designer, and Web Designer for MBI Media.

**Recommendation:** The Contract Manager should have the cost proposal revised to remove the proposed overtime rates.

**Issue 12**

The following proposed other direct costs rates could not supported:

Other Direct Costs	Description	Proposed Rate	Firm
Reproduction	Full size reproduction BW copies	\$1.74 each	BA Inc.
Reproduction	BW Printing 8.5 x 11	.08 each	Circlepoint
Reproduction	BW Printing 11 x 17	.16 each	Circlepoint
Reproduction	Color Printing 8.5 x 11	.50 each	Circlepoint
Reproduction	Color Printing 11 x 17	1.75 each	Circlepoint
Reproduction	Black and White 8.5 x 11	.08 each	Cross-Spectrum Acoustics
Reproduction	Black and White 11 x 17	.16 each	Cross-Spectrum Acoustics
Reproduction	Black and White 8.5 x 11	.08 each	ICF International
Reproduction	Black and White 11 x 17	.16 each	ICF International
Miscellaneous	Traffic Counts	\$350 each	Kittelson & Associates
Reproduction	Black and White 8.5 x 11	.10 page	Placeworks

Other Direct Costs	Description	Proposed Rate	Firm
Reproduction	Color Printing 8.5 x 11	1.25 page	Placeworks
Reproduction	Plotting: color or BW large format	7.00 sq. ft.	Placeworks
Reproduction	Scanning: color or BW large format	4.00 sq. ft.	Placeworks
Reproduction	CD-ROMs, Supply, Data, & Label	10.00 each	Placeworks
Computer	GIS Fees	300.00	Placeworks
Reproduction	Facsimile – Received	.50 per page	RL Banks
Reproduction	Facsimile – Sent	.75 per page	RL Banks
Reproduction	Reproduction	.25 per page	RL Banks
Reproduction	BW Printing 8.5 x 11	.08 each	Square One Productions
Reproduction	BW Printing 11 x 17	.16 each	Square One Productions
Reproduction	Color Printing 8.5 x 11	.50 each	VCS Environmental
Reproduction	Color Printing 11 x 17	1.00 each	VCS Environmental
Reproduction	BW Printing 8.5 x 11	.08 each	VACC, Inc.
Reproduction	BW Printing 11 x 17	.16 each	VACC, Inc.

**Recommendation:** The Contract Manager should have the cost proposal revised and remove the proposed rates, and reimburse these items at actual cost, supported by vendor invoices.

### Issue 13

The proposed vehicle expenses (mileage, parking, & rental car) for the prime and all subconsultants did not identify that these expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

**Recommendation:** The Contract Manager should have the note to the cost proposal revised to reflect that travel and vehicle expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

### Issue 14

The proposed other direct costs were unsupported for the following:

#### Firm

Geographica  
Placeworks

#### Proposed ODC

All proposed other direct costs  
Workshop refreshments

**Recommendation:** The Contract Manager should have the cost proposal revised to remove the proposed other direct costs.